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Exporting to Russia via the Greater Port of St. Petersburg: A Logistics Overview

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Report Highlights:
With a population of 143 million and a challenging agricultural climate, Russia is one of the biggest buyers of food products in the world with overall food imports of $36.6 billion. The United States exported food products worth $1.6 billion in 2012. Russia is importing an increasingly diverse range of products from the United States as demand for quality processed food products grows. Roughly 78% of American food and beverage imports arrive via container via the Greater Port of St. Petersburg, the main gateway to Western Russia, where 80 percent of consumption is concentrated. The long and often complicated logistics procedures to move products from the United States to Russia can result in added expenses and time losses. This report will give U.S. exporters information about transatlantic shipping to St. Petersburg, the entry points for U.S. foods, customs clearance, and distribution within the Russian Federation.

Russia is a growth market for the United States:

With a population of 143 million and a challenging agricultural climate, Russia is one of the biggest buyers of food products in the world with overall food imports of $36.6 billion. The main suppliers of food products to Russia are: Brazil (meat, sugar, grain seeds, coffee, tea and spices), Germany (meat, dairy, ingredients), the United States (meat, live animals, nuts), Ukraine (cocoa, dairy, beverages, meat, preserved foods), the Netherlands (live trees and plants, vegetables, dairy), France (beverages, meat, food and beverage bases), and Turkey (fruit and nuts, vegetables, tobacco, preserved foods).

In 2012, the United States was the fifth largest supplier of agricultural, fish and forestry products with over $1.6 billion in exports to the Russian Federation including: live animals, red meats, poultry, hatching eggs, tree nuts, snack foods, nursery products, spirits and other intermediate products. Russia is importing an increasingly diverse range of products from the United States as demand for quality processed food products grows. In 2007, frozen poultry and meats was 71% of all American products exported to Russia, whereas in 2012 the share decreased to 51%.

Compared to many of Russia's major trading partners, the United States is relatively remote (as are its South American suppliers). The complicated and long transit time can make imports from the United States less attractive for Russian businesses. Thus, it is important to ensure that shipping logistics run as smoothly as possible. This report will provide U.S. exporters with the basic information they need to know about transatlantic shipments to Russia such as the main entry points for U.S. foods, customs clearance procedures, and distribution within the Russian Federation.

Shipping to Russia:

Russia is a geographically vast market, spanning nine time

zones and encompassing over 17 million square miles. 25,348 out of 38,918 miles of Russia's border is coastline. It stretches along the Pacific and the Arctic Oceans, the Baltic Sea in the Northwest, and the Black Sea, Azov, and Caspian Sea in the Southwest. Russia has access to the Mediterranean Sea via the Black Sea and is connected with Sweden, Finland, Poland, and Germany via the Baltic Sea. Southern Russia shares borders Ukraine, Bulgaria, Turkey, Romania, Georgia, and Azerbaijan via the Black Sea and Caspian Sea.

Most imported products arrive into Russia by sea as Russia's major trading partners -- Brazil, the United States, Turkey, and Argentina -- are connected with Russia only by sea or air. Even though European Union exporters have the option of shipping by land, most prefer to send their products by sea vessel because it causes less damage to the cargo, is less expensive, and has firmly scheduled departures/arrivals. The exception here is deliveries from countries in very close proximity to Russia like Ukraine, Belorussia, Poland, and Finland which are delivered largely by truck.

According FAS Moscow estimation, 97 percent of American food and agricultural exports arrive to the Russian Federation by sea, the remaining 3 percent are shipped by air. American products are shipped to Russia both from the West and the East coasts of the United States. 60 percent of the American agricultural exports are shipped from the following ports:

- Houston, TX handles 18.1% of total agricultural exports to Russia.
- Norfolk, VA - 12.11%;
- Oakland, CA – 8.10%;
- Galveston, TX – 7.84%;
- Newark, NJ - 6.1%;
- New Orleans, LA - 6.07%.

Generally, American products exported to Russia are shipped in containers, except livestock and frozen poultry. Below you can find basic types of containers used:

- 20ft container (6.06 m /length)[1]; max payload is around 24 metric tons (MT);
- 40ft container with 28 MT of payload (12.19 m/length);
- 40ft refrigerated container with 28 MT of payload (12.19 m/length);

The 40ft containers are the most popular and frequently used for transatlantic shipments. The cost for the 40ft container is 30% higher than for the 20ft container. However, high end or new-to-market products very often travel by 20ft container. The actual capacity of the container may vary significantly and depends on the cargo weight and package. For example, the payload for a 40ft container of pears is around 21 MT, versus apples at 18 MT, and grapes at 13 MT. Refrigerated containers (reefers) equipped with temperature control systems are used for temperature sensitive cargos and capable of maintaining a temperature from +30℃ to – 28℃.

Due to fundamental differences in manufacture and fabrication, exact container sizes can vary between shipping container companies[2]. All containers remain with the ISO 6346 standards and ISO 6346 standards provide special codes which denote the size and type for intermodal shipping containers and establish a visual identification system for every container that includes a unique serial number (4 capital letters (3 for the '*owner code*' and 1 as a '*category identifier*' assigned by the owner) and 7 digits (6 assigned by the owner and a single check digit). This unique 11 digit shipping container number is required for container tracking. The major shippers provide the container tracking service to their clients which allows the exporter to track where their particular container was last logged in the world. The live container tracking of the main shippers is available on:
http://www.shippingcontainers24.com/tracking

[1] You can find more about different container types and their dimensions on http://www.shippingcontainers24.com/dimensions/20-foot

[2] Please read more about the different shipping container dimensions on http://www.shippingcontainers24.com/general/iso-standardization

Export procedures:

Before shipping, the exporter should undertake several steps:

1. Clear the products for export:
   If your product is subject to sanitary, phytosanitary or veterinary control, please contact the following agencies to find out what steps you need to take in order to ship your product to Russia:
   - FSIS - http://www.fsis.usda.gov/regulations/Russia_requirements/index.asp
   - APHIS - the website contains the application form, export certificate form, export specialists' and veterinarians' contacts, and other requirements and procedures http://www.aphis.usda.gov/import_export/index.shtml
   - NOAA - Seafood Inspection Program http://www.seafood.nmfs.noaa.gov/

2. Define the forwarder/shipper and negotiate delivery to the customer. If the exporter quotes CIF (cost, insurance and freight) prices then the exporter handles the shipping and insurance up to the ship's rail of destination port and pays the costs associated with it. Generally speaking, importers prefer CIF terms when either they are new to international trade, have relatively little freight volume, or when a very experienced exporter has very good contract rates with shippers.

   If the American exporter supplies the product on FOB terms (free on board), the importer is responsible for shipment arrangements and covers the cost of transportation, insurance, and other expenses. Usually, experienced importers with big volumes prefer this arrangement in order to have better control over transportation expenses and because it enables them to obtain accurate and timely shipment information via the shipper's container tracking system.

3. Prepare documents necessary for shipment and customs

clearance in Russia including vet certificate/ phytosanitary certificate / packing list, export manifest/declaration. The exporter should provide copies of these documents to the importer in advance, while the cargo is on the water so the buyer can check the accuracy of the documents with customs broker, and if the papers are in order they can start the process of customs clearance.

Please keep in mind that:
The Russian importer will be the first point of contact regarding the documents required for food product clearance in Russia, they have the most up-to-date information. The exporter can refer to the Food and Agricultural Import Regulations and Standards Report (FAIRS) released annually by FAS Moscow, which provides general and technical requirements for food and agricultural products imposed by the Russian Federation: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_01.02.2013.pdf
Also, Post recommends that exporters check the www.fas.usda.gov database of Attaché reports for regulation updates under the "sanitary/phytosanitary/food safety report" category.

HOT ISSUES:

- The issuance date of the phytosanitary and veterinary certificates should be before the actual departure of the shipment from the territory of the authorized body which issued the certificate. Russian Federation authorities do not accept certificates with corrections in place of the original certificates, if they are dated after the cargo departed the United States.
- The net weight in tons or kilograms must be identified in the veterinarian or phytosanitary document. The weight on the certificate should match the actual weight of the shipment and weights identified in the Bill of Lading and Invoice. Otherwise the importer must explain the

discrepancy to the customs authorities, which can take additional time and money.

4. Load the vessel and prepare the Bill of Lading.

Major shippers to Russia:

Most of global leaders in container shipping like Maersk, Mediterranean Shipping Company S.A., CMA-CGM, APL, Hapag Lloyd, Evergreen, OOCL shipping lines, etc. deliver cargos from the United States to Russia. American products first travel by ocean vessel to European ports like Antwerp (Belgium), Rotterdam, (Netherlands), Hamburg, and Bremerhaven (Germany). There, the containers are reloaded on feeder vessels which deliver the products to St. Petersburg. St. Petersburg terminals can only accept vessels with a maximum allowed draught of 11 meters. Baltic Sea ports are situated in shallow areas, and thus ocean vessels can't approach the births. Another reason for reloading in European ports is that typically part of the cargo on an ocean class vessel with 6,000 containers is destined for different destinations in Europe. Shipping lines include the cost of reloading in Europe in the transportation costs of US-Russia freight so the exporter doesn't need to make a separate order for the feeder shipment.

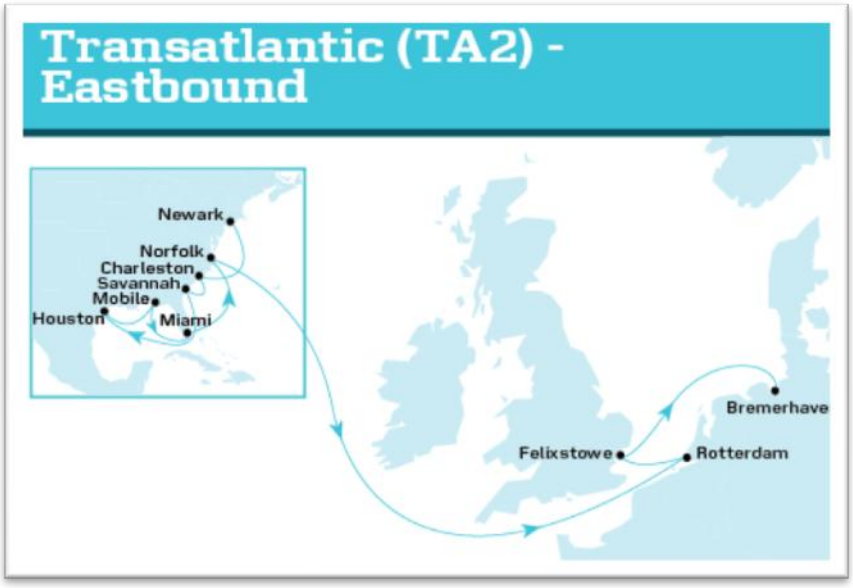
Feeder lines in the Baltic Sea connecting European ports and St. Petersburg are very well developed. The European Union remains the major trading partner for Russia, and the flow of transshipments between Europe and Russia is very high. Most of the shippers with transatlantic lines also have feeder service to Russia and have several arrivals per week to St. Petersburg container terminals. The schedule of the feeder lines is published here: http://www.credotrans.ru/port_forwarding/fidernyie_linii_v_portu_spb

A transatlantic shipment from the United States to Europe may take from 17 to 30 days depending on the departure port and number of calling ports in the United States and Europe. After the reloading in Europe, the cargo may travel for an additional

2-8 days depending on how many ports the vessel is going to call on in Europe. For example, Maersk reports that a shipment from Houston to St. Petersburg will take 27 days, from Mobile, Alabama to St. Petersburg takes 25 days, while from Norfolk, Virginia to St. Petersburg is 20 days.

The information on the transatlantic routes and timing usually is open and available on the shipping companies' websites under the route or interactive schedule. The top container shipping companies have representative offices in the United States and their experts can provide consultation on the shipments details and export procedures.

Picture 1. Maersk transatlantic line from the United States East Coast to European ports.



Picture 2. Maersk feeder line Bremerhaven, Germany - St. Petersburg, Russia.

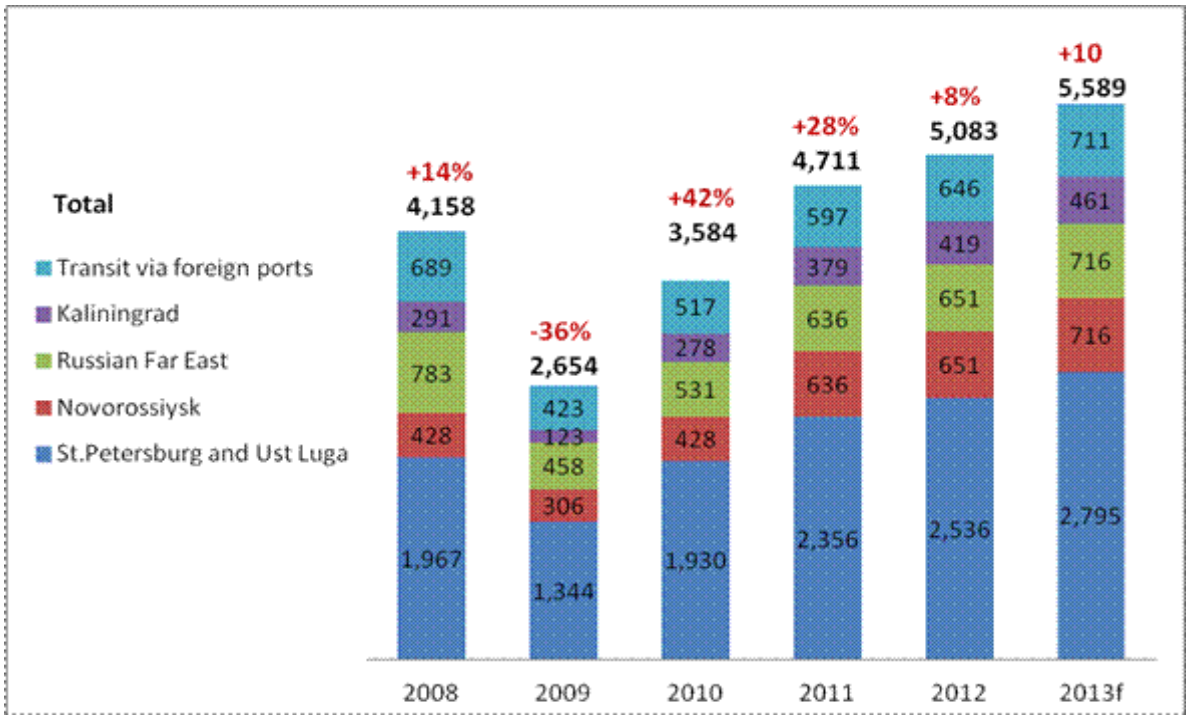
<u>Main points of entry for American products:</u>

Russia has four major sea points where American products enter the Russian market: St. Petersburg, Novorossiysk, Vladivostok, and Kaliningrad. Around 78 % of American products arrive in St. Petersburg port.

Picture 3. Entry gateways for American exports to Russia via Ports

American products are largely shipped in containers. The container turnover in Russian ports has been growing since 2005 except in 2009 when it dropped 36% due to the global economic downturn. The trade volumes recovered quickly and in 2012, the container flow via Russian ports reached a record 5 million Twenty Equivalent Units (TEUs)[3]. Based on industry reports, export/import container traffic via Russian ports will continue to grow by 10% in 2013. The Greater Port of St. Petersburg has historically been the largest container handling port in Russia. The Port's throughput steadily increased from 290,000 TEUs in 2000 to nearly 2.56 million TEUs in 2012.

Chart 1. Container turnover via Russian ports in thousand TEUs



Source: National Container Company
http://www.container.ru/about/profile

<u>The Greater Port of St. Petersburg is the main gateway for American products.</u>

Around 78 % of the United States' food imports enter Russia

[3] Twenty Equivalent Unit (TEU) is equivalent to a 20ft container.

via the Greater Port of St. Petersburg. In 2012, the port's total turnover reached 57 million tons, around 50% of which was containerized cargoes, (2.5 million containers).

The Greater Port of St. Petersburg is connected to the Baltic Sea by the Sea Channel 27 miles long. The channel is 85m wide at its narrowest point and has a minimum depth of -11.6 m.
The majority of the berths of the Greater Port of St. Petersburg can accept vessels up to 9.8 meters of maximum draught, and several berths can serve vessels with 11meter draught.

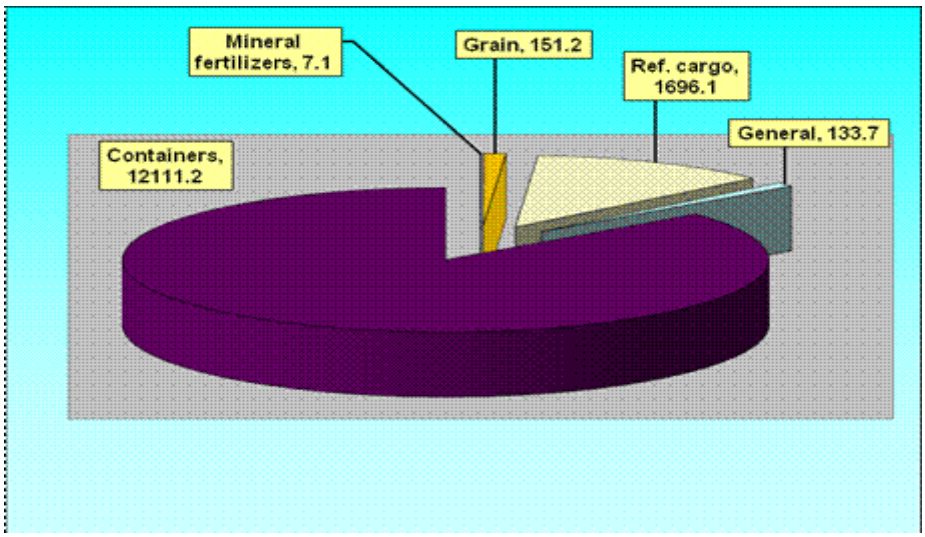
The Port operates year round. During the winter, the Port Administration provides 11 ice breakers for clearing the way for trade vessels. According the Greater Port St. Petersburg Administration, this is adequate to ensure normal port operation during winter months.

The Greater Port of St. Petersburg belongs to the Russian government. 28 licensed stevedoring companies rent 200 berths at the port and handle cargo loading/unloading works and other operations accompanying the cargo transportation via port. The Greater Port of St. Petersburg terminals handle the following cargoes: containerized cargos, bulk coal, ore, mineral fertilizers, grains, timber, general cargoes, equipment, bulk liquid cargoes.

Picture 4. Scheme of the berths and internal roadsteads of the Greater Sea Port St. Petersburg

Several Container terminals of the Greater Port of St. Petersburg process half of the Russian's container turnover at the ports; from 5 million TEUs, 2.5 million TEUs were processed via port in 2012. The flow of inbound/outbound containers going via container terminals of the Greater Port of St. Petersburg has been growing since 2010. The share of the containerized cargo in the overall imported cargo is 85%.

Chart 2. Inbound Cargo via the Greater Port of St. Petersburg, Jan-Oct 2012, in 000 tons



Source: Presentation of the Administration of "The Greater Port of St. Petersburg"

Over the last five year, the major container terminals in the Greater Port of St. Petersburg are have invested heavily in loading/unloading equipment, optimized storage areas, and technology for container tracking. The capacity of the container terminals at the port exceeds the current flow of containerized cargo and there are enough plugs for reefer containers, thus the port is ready to satisfy growing demand. The waiting time at the port is around 2-5 days, according to industry contacts.

The main container terminals of the Greater Port of St. Petersburg are:

ZAO First Container Terminal (FCT) was founded in October 1998, as a stevedoring company specializing in container handling in the 3rd cargo district of the Sea Port of St. Petersburg. FCT is the leader of container handling among the terminals in Russia. FCT is a part of the National Container Company (NCC), which specializes in the network of sea and inland container terminals providing customers with container handling services. At present, the following are part of the NCC group of companies: Logistika-Terminal (Shushary, St. Petersburg), off-dock container terminal and logistics center, Ust-Luga Container Terminal (Leningrad region), throughput capacity of 440,000 TEUs per year, Container Terminal

Ilyichevsk (Ukraine), National Container Terminal (Riga, Latvia), rail operator NCC Logistics and truck operator Baltcontainer. FCT's Investment Program envisages further growth of throughput capacity up to 1.6 million TEUs (Twenty Equivalent Unit = 20 ft container) 2014.

- Berths 84, 85, 86 (Picture 2. Scheme of the main port berths)
- Container handling capacity – 1,350,000 TEU per year
- Yard storage capacity - 31,000 TEU
- Reefer storage capacity – 2,900 plugs
- Terminal area - 89 ha
- Depth alongside berth - 11,5m
- http://www.container.ru/en/terminals/spb
- World leading shipping lines call at FCT on a regular weekly basis: Maersk Line, MSC, CMA CGM, OOCL, APL, Unifeeder, Team Lines, FESCO ESF, Swan CL and other world's leading shipping lines calling the terminal or connected.

Petrolesport OJSE's container terminal has the capacity to handle over 1 million TEUs per year. It is a member of the Global Ports Group, a port operator in the Russian Federation also managing the Mobi Dick Container Terminal, Logistical center in Yanino, and Vostochnaya Stevedoring Company the container terminal in the Russian Far East. The terminal handles all types of containers (including refrigerated, hazardous cargo and out-of-gauge). The development plan for the container terminal includes expansion of its capacity to 2.3 mln TEUs. OJSC's refrigerated terminal, one of the largest in St. Petersburg, has a warehouse with the capacity to store 20,000 tons and can reload the cargo from containers to trucks or railway cars.

- Berths 41-43 (Picture 2. Scheme of the main port berths)
- Container handling capacity per year is 1 million TEUs
- Container storage capacity – 26,950 TEUs
- Reefer plugs – 3,630 units
- Terminal area – 34.5 Ha
- Maximum berth draught – 11 meters
- http://www.petrolesport.ru/eng/page.php#page1
- Main shipping lines calling Petrolesport: Maersk, CMA CGM, MSC, APL, OOCL and Evergreen. The terminal also serves a number of feeder lines, including Unifeeder, Delta, Samskip, Sea Connect and others.

Container Terminal St. Petersburg began operating in January 2011, with brand new equipment and operational subsystems.

In 2012, the container flow reached 330 TEUs including, 161,000 TEUs inbound. With the introduction of the second line in 2014, the capacity of the terminal is expected to reach 1.2 million TEUs.

- Berths 101- B, 101-B (Picture 2. Scheme of the main port berths)
- Container handling capacity per year is 500,000 TEUs
- Container storage capacity – 14,364 TEUs
- Reefer plugs – 1,150 units
- Terminal area - 32 Ha
- Quay length - 478 m
- Maximum berth draught – 11.5 meters
- http://www.terminalspb.ru/en

Mobi Dick container terminal is located outside of the center of St. Petersburg on the newly built ring road, approximately 30 km from St. Petersburg. It is located at the entry point of the St. Petersburg channel (Kronshtat Island). Unifeeder and Maersk line call on this container terminal.

- Two cargo quays able to handle container vessels
- Container handling capacity 400,000 TEUs
- Reefer stands with 504 sockets
- Total quay length 321 meters
- Maximum vessels draft 8.9 meters

Port of Ust Luga is the biggest logistical project in Russia and hub for American pedigree livestock in Northwest Russia.

Ust-Luga port is situated virtually on the border of the Russian Federation and the European Union. It connects with the transportation network of the Northwest region that plays a significant role in transit shipments in the European transport infrastructure. The multipurpose Ust-Luga merchant sea port is under construction in the Luga Bay of the Gulf of Finland. The capacity of the port is up to 180 mln tons of various cargoes per year.

The deep water area of the port (17 m) together with the short ship channel (3.7 km) make Ust-Luga the only Russian port on the Baltic Sea capable of admitting dry-cargo vessels with a deadweight of up to 75,000 tons and liquid cargo carriers with a deadweight of up to 120,000 tons. The second ship channel provides roundabout ship traffic.

The year-round operation and shorter ice channeling period are indisputable competitive advantages of Ust Luga port. However, only vessels with ice class can call on Ust Luga during the winter. Note: Icebreaker assistance is needed only in the case of deep freeze. In ordinary winters in-channel operation can be carried out with an ice-class tug. A significant advantage of the new port is the fact that the cargo flows go to the port by-passing the extremely congested transport hub of St. Petersburg.

At present, Yug Terminal in Ust Luga has discharged American live cattle arriving to Russia. The animals travel by ferry boats, are discharged and after customs clearance and quarantine travel to the customers in different regions of Russia, i.e. Central region, Volga Area, North West Russia. Based on industry experts' estimation, in 2012, 23,700 head of the livestock were discharged in Ust Luga port, largely of the U.S. origin. Ust-Luga port is the second largest hub after Novorossiysk for American live animals.

Ust Luga Container Terminal (ULCT) started to work in 2011 and is managed by National Container company and EUROGATE, Europe´s leading container terminal. ULCT is the first Russian container terminal developed in a deep sea port that has unique advantages as compared to the other terminals of Northwest Russia. ULCT is located outside the urban area so that the terminal's operation and development are not restricted by the urban landscape. ULCT's planned development will happen in three phases with the first phase having been put into operation in 2011. ULCT is expected to reach its ultimate capacity of 3 million TEU by 2025.

- Container handling capacity 440 TEUs, in 2025 2.8 - million TEUs
- Container storage capacity, 5,000 TEUs ; in 2015- 78,700 TEUs
- Reefer plugs, TEU 840; in 2015 - 6,000
- Depth alongside berth 13,5 m; in 2015- 16 m

Novorossisk Port is the main port for American livestock

Novorossiisk Port is the main entry point for livestock from the United States and all other countries. According to industry experts, around 80% of all live animals arrive via this port to the Russian Federation. They are shipped on special vessels and need special equipment for the offloading at the port. The big plus of Novorossisk port is that it operates year round. However, it is the biggest port in Russia by tonnage and due to high volumes vessels sometimes have to wait for discharging, which can be problematic if the cargo contains live animals.

Novorossisk container terminal handles around 10 percent of the container turnover in Russia. The terminal has been in operation since 1999 and currently is part of the Nororossisk Sea Port. The Container Terminal is able to handle vessels with capacity up to 5,000 TEU including PANAMAX containerships. The biggest container lines like MSC, Arkas, Evergreen, Hapag-Lloyd, OOCL, NORASIA, NYK work with Container Terminal of JSC Sea Port Novorossisk. The product coming to this terminal is usually distributed in the South of Russia. The only U.S. food and agricultural products entering via this port appear to be nuts in containers.

Shipment to the Russian Far East:

Products destined for the Russian Far East (RFE) enter through the ports of Vladivostok, Vostochnyy, Vanino, Nakhodka and Magadan. Although Vostochnyy is the region's largest port by volume, the majority of U.S. food exports to the RFE enter through Vladivostok.

Currently, several forwarders make shipments from the U.S. west coast to Vladivostok: Hyundai Merchant Marine, MAERSK LINE, APL, and Hapac Loyd. Average transit time from the U.S. west coast to Vladivostok takes 18 days: ocean vessels bring containerized goods to the Korean Port of Pusan (it takes 9 to 13 days), then, feeders transfer them to the Port of Vladivostok (it takes 4 to 7 days). MAERSK LINE has the longer transit time, because it goes though Japan first, and then delivers goods to Korea (Pusan). In 2008, FESCO launched a direct line from Everett, Washington to RFE ports (Vladivostok, Korsakov, Petropavlovsk, and Magadan). Direct

voyages are scheduled approximately once per month and the average transit time is 14 days. From Vladivostok food products are shipped to the other cities in the RFE and Siberia by truck or rail.

Customs clearance.

In the Russian Federation customs clearance can be done only via a customs broker, customs consultant and an agent specially registered with Russian Customs. According to industry specialists, the majority of imported products are customs cleared in the point of entry. However, the cargo also can be transported under the internal customs transit regime up to the destination point in the Russian Federation and will be cleared there. However, it is more expensive. The importer has to pay a special fee for arranging papers starting from $350-400 and above (the fee depends on how many different products are within the shipment; the more HS codes the importer declares, the higher the payment). The importer also will pay more for transportation of such cargoes. Only transportation companies with a special license can move the cargoes under the customs transit regime. Their services are at least 30% above the average prices for cleared cargo transit.

Customs clearance starts long before the actual arrival of the cargo at the port. The exporter should be ready to provide copies of the certification and other documents in advance, so the importer can consult with broker regarding the accuracy of the documents, prepare the customs declaration, and provide the documents via electronic system to customs authorities.

During the customs clearance the importer, with the help of the customs broker, undertakes the following steps:

- Importer arranges Declaration of Conformity via specially licensed agencies in Russia. The exporter provides product description, certificates, and technical descriptions of the product. The declaration of conformity is valid for 3 years; this document must accompany the product for distribution in the Russian Federation;

- Determines the harmonized system code for the product based on the product description, technical description and composition;
- Fills out the customs declaration and checks the accuracy of the copies of documents provided by the exporter;
- Submits electronically to customs authorities the customs declaration together with the document package to the customs office: contract, certifications from exporter, invoice, packing lists, and calculation of the customs duties and value added tax (VAT, which can be 0%; 10% or 18% depending on the product). The customs duties are calculated ad valorem or EUR per kg or USD per kg bases, according to the Unified Customs Tariff of the Customs Union http://www.tsouz.ru/db/ettr/ettwto/Pages/default.aspx; NOTE: The customs authorities check the accuracy of the HS code identification and customs duties calculation. Customs may ask to confirm the value of the freight with additional document such as export declaration from country of seller, price list; similar transaction prices.
- Importer notifies the exporter that the documents are fine for customs clearance or asks for revisions or additional documents if needed;
- The importer pays the customs fee and VAT for freight;
- Upon the cargo arrival and discharge at the port, the importer has to submit the originals to customs office together with proof of payment documents;
- Customs and representatives of the phytosanitary or veterinarian inspectors visually check the freight and take samples for laboratory tests;
- If cargo passes visual inspection, customs releases it; they stamp the cargo to identify that it has been released on the bill of lading and give an official document regarding the phytosanitary and quarantine inspection; Based on this document the authorities give the customs declaration and the cargo is considered released; the customs declaration is one of the main documents needed for the confirmation of the cargo's legal entry into Russia and may be needed at any phase of product distribution in Russia. If the cargo looks suspicious to the authorities the cargo remains in the

port until the tests are completed;
- Later after the test are completed, the importer receives the second Act about phytosanitary and quarantine inspection; if the results of the tests show that the freight doesn't comply with Russian Federation norms, the freight is sent back to the exporter or re-exported or destroyed;

Certifying authorities and customs offices are located in the port. It typically takes from 2-5 days to unload and clear customs, if the documents are in order and importer has done the pre-clearance with customs office.

The importer can use the shipping line container for a few days free of charge. Usually, it is 7 days, but may vary depending on the shipping line. Importers should return the container to the owner within this time or pay demurrage calculated on per day basis. The main reasons for delays with customs clearance are typically inaccurate documents accompanying the freight and the need to confirm the customs value of the shipment. So, it is critically important for the exporter to be in touch with importer about the sufficiency and accuracy of the document accompanying the cargo.

On-land distribution:

After customs clearance the imported product is transferred to importer storage facilities or the logistical distribution center and from there by truck or train delivered to the final destination in Russia. The main consolidators and distributing points for imported products in Russia are St. Petersburg for product arriving by sea and Moscow for products arriving by truck or train (e.g. dried apricots from Tajikistan travel by train to Moscow in around two weeks; apples from Poland by truck reach St. Petersburg or Moscow in 2-3 days.).

The availability of modern storage facilities has improved significantly due to increasing demand from the expanding retail sector. New storage facilities and logistical parks were introduced in Moscow and St. Petersburg in the last few years. These facilities are equipped with modern technology and electronic cargo-tracking systems, some of them are connected

with railways and have good suburban locations in proximity to the port in St. Petersburg and main highways. These centers provide the sorting, mixed containers assembling services and delivery arrangement to any destination in Russia. Currently the cost of a square meter per year is $135 per year in Moscow and $115-130 per year in St. Petersburg. In 2013, it is expected that a number of new modern storage facilities will be launched in Moscow and St. Petersburg.

Picture 5. Yanino Logistic Park, St. Petersburg

After cargo discharge at the port, the importer moves the cargo to the storage facility. The product can be reloaded onto trucks or railway cars for further in-country distribution or travel in shipping line container, if this was negotiated in the contract with shipping line.

The importer dealing with foodstuffs usually reloads the

product in their storage facility, and carries out a quality inspection of the cargo. After that the importer sends the product to distributors in the regions. If the shipment goes to Ekaterinburg, Uralskiy Federal District or destinations closer than 2,000 km, the cargo is delivered by truck. Even though Russian roads and accompanying infrastructure are underdeveloped and sometimes of poor quality, transportation by truck in Russia is quicker than transportation by railways, easer in terms of paperwork and, according to importers, it is easier to send mixed shipments via truck.

Railway transportation is cheaper than by truck, so for the destinations in Siberia, like Novosibirsk, importers order the delivery by Russian Railways. Transportation by train in Russia is slow.
According to the Russiskiye Zhelezniye Dorogi (Russian Railways), in 2012, the average cargo speed on the railways slowed down to 219 km/day, (9.1 km/hour), one of the lowest speeds within the last 15 years. The industry analysts point to a logjam of rail cars (240 thousand cars) as one of the reasons for the slowdown. Russian Railways plans to raise the speed of its better trains to 350 km per day by 2030 after investment in infrastructure modernization.
At present, it takes three weeks or more to deliver cargo from Moscow to Vladivostok by train. The charge for this service for less than a container shipment is 10 rubles per kg of dry cargo transportation and 16 for the 1 kg for transportation of frozen products.

80 percent of the consumption in Russia is concentrated in Western Russia.

Russia is a geographically vast market, spanning nine time zones and encompassing over 17 million square miles, but 82% of the population (117 million people) live in Western Russia up to Ural Mountains. The remaining 26 million people are spread across the giant territory of Siberia and the Russian Far East, which is two thirds of the Russian territory.

Picture 6. Russian Federation Federal Districts. Population. Area. 2012

	District name	Administrative Center	Population (million people)	Number of cities with over 1,000,000 population	Squire (thousand km²)
1	Central Federal District	Moscow	38.5	2	650.2
2	Southern Federal District	Rostov-on - Don	13.8	2	420.9
3	North West Federal District	St. Petersburg	13.6	1	1,687.0
4	Far East Federal District	Khabarovsk	6.2	-	6,169.3
5	Siberia Federal District	Novosibirsk	19.2	3	5,145.0
6	Uralskiy Federal District (Ural Mountain)	Yekaterinburg	12.1	2	1,818.5
7	Privolzhskiy Federal District (Volga Area)	Nizhniy Novgorod	29.8	5	1,037.0
8	Northern-Caucasus Federal District	Pyatigorsk	9.4	-	170.4

Around 30 million inhabitants are concentrated in the largest 13 cities with a million-plus population and are concentrated in the Central, Volga and Urals regions of Russia. As most of these cities are situated within the 2,000 km zone from

Moscow and St. Petersburg, imported product travels there mostly by truck. Also, the income level here is higher than in smaller cities and rural areas, and the consumption of more expensive products and services is higher accordingly. These million-plus cities are the main points of consumption for American products and centers of further distribution in the regions. In Eastern Russia, Vladivostok is the major distribution point for American products directly imported to Eastern Russia.

Other Relevant Reports

Attaché reports on the Russian food and agricultural market are available on the FAS Website; the search engine can be found at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

RS 1304 Exporter Guide
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Moscow%20ATO_Russian%20Federation_4-19-2013.pdf

RS 1305 Food and Agricultural Import Regulation and Standards Report
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_01.02.2013.pdf

RS1306 Food and Agricultural Import Regulations and Standards – Certification
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification_Moscow_Russian%20Federation_05.02.2013.pdf

RS1215 Market Opportunities for Key U.S. Products in Russiahttp://gain.fas.usda.gov/Recent%20GAIN%20Publications/Market%20Opportunities

%20for%20Key%20U.S.%20Products%20in%20Russia_Moscow_Russian%
20Federation_3-20-2012.pdf

RSATO1210 Retail Report
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%
20ATO_Russian%20Federation_9-24-2012.pdf

RSATO1107 Russian Food Processing Sector (updated report can be found in May 2013 via
http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx)
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing
%20Ingredients_Moscow%20ATO_Russian%20Federation_12-21-2010.pdf

RSATO1217 Russian HRI Sector
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-
%20Hotel%20Restaurant%20Institutional_Moscow%20ATO_Russian%20Federation_
12-28-2012.pdf